



OFFICE OF MAYOR JERRY SANDERS

FOR IMMEDIATE RELEASE

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FACT SHEET

SANDERS AND CITY CFO ANNOUNCE MAYOR'S FY07 BUDGET PRINCIPLES FY07 WILL BE "STABILIZING" YEAR FOR CITY

Strong Mayor's Budget will attack perennial City Challenges

As part of Budget Week, on Monday, April 10, the Mayor will announce his comprehensive ***Financial Recovery Plan***. **For the first time, the City will have a virtual roadmap to follow to help it get back to financial health.**

The Mayor's FY07 Budget, which will be submitted on Friday, April 14, will be an element of that plan. As part of Budget Week, each day next week, Mayor Sanders will announce a different element of his budget proposal, culminating on Friday with the announcement of the entire FY07 budget.

Today, the Mayor and City CFO Jay Goldstone gave their assessment of the City's financial situation and unveiled the principles upon which the FY07 budget was formulated.

FY07 Revenue Picture

For the first time in years, Mayor Sanders' budget will include realistic projection of revenues.

Property Tax	FY07: \$344.2 million
Sales Tax	FY07: \$234.9 million
Transient Occupancy Tax	\$139.1 million

General FY07 Budget Principles

- FY07 will be the year to **stabilize the financial downward spiral** that has paralyzed the City for the past three years.
- While it will take the full three years of the Mayor's term in office to return the City to financial stability, **Sanders' budget proposal will demonstrate to the Financial Markets that FY07 will be the turning point for San Diego** and that the Mayor is serious about addressing the issues head on.
- The Mayor's budget will begin to:
 - attack some of the fiscal challenges facing the city;
 - fix many previous budget irregularities (not funding police or fire departments' overtime; no budgeting supplemental positions; auditing of enterprise funds to prevent abuse);
 - and permit the Mayor and his new administration, along with the City Council, to use FY07 to put many of the Mayor's initiatives and campaign commitments in place to restore the financial health of the City Government.
- **The Mayor's budget seriously and realistically begins attacking the City's Pension Liability.**
- **Money will be budgeted to raise the City's emergency reserves.**
- **Funds will be budgeted to begin addressing the City's deferred maintenance problems.**
- **Professionalism will be the hallmark of the Mayor's budget.** There will be no knee jerk reactions or solutions proposed but rather solid thoughtful solutions that can take hold and live on long past this administration.

Immediately upon taking office, the Mayor and Chief Operating Officer Ronne Froman began a **Business Process Re-engineering (BPR)** program at the City. This budget will allow for that process to methodologically continue through the year as every process gets carefully reviewed and reengineered as appropriate to improve services and cut costs. While anticipated, there are no savings budgeted as a result of BPR.

- The **City's financial problems are manageable** as long as a great deal of reforms are instituted and discipline is exerted (as agreed upon by Moody's Investors Service).
- San Diego's **problems have less to do with a fiscal crisis and more to do with the integrity of the previous administration, the budget and financial games** that were played and the serious lack of disclosure to the financial markets.

FY07 Workplan

The Sanders' Administration will use FY07 as a stabilizing – and planning – year for several financial challenges that must be addressed. These include:

- Finding the funding to restore services that were cut over the past several years.
- Rebuilding the City's reserves.
- Funding additional deferred maintenance.
- Funding critical capital improvements to the water and wastewater systems and infrastructure such as roads and fire stations.
- Funding future salary increases that take affect in fiscal year 2008.
- Additional funding for the current Pension System.
- Funding post retirement medical costs.
- Restoring the City's credibility with the community.
- Re-examination of the current pension plans to make them more affordable for the City.
- Completing the City's audits so that we can re-enter the financial market.

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